

MORAVIA COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

Year Ended June 30, 2015

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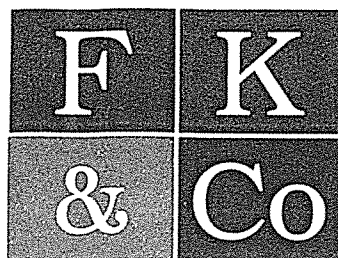
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Moravia Community School District

Officials

<u>NAME</u>	<u>TITLE</u>	<u>EXPIRES</u>
Board of Education		
Steve Smith	President	2015
Chris Spencer	Vice-President	2017
John Houser	Board Member	2017
Heather Marletta	Board Member	2015
John Baty	Board Member	2015
School Officials		
Brad Breon	Superintendent	2015
Christina Bickel	District Secretary/Treasurer/ Business Manager	Indefinite
Rick Engel	Attorney	Indefinite

Moravia Community School District



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report

To the Board of Education of
Moravia Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Moravia Community School District (District), Moravia, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 43 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 15, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.


Faller, Kincheloe & Co., PLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

Moravia Community School District provides this Management Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,123,222 in fiscal year 2014 to \$4,392,681 in fiscal year 2015, while General Fund expenditures increased from \$4,171,728 in fiscal year 2014 to \$4,187,586 in fiscal year 2015. The District's General Fund balance increased from \$575,080 at the end of fiscal year 2014 to \$780,175 at the end of fiscal year 2015, a 35.7% increase.
- The increase in expenditures was due primarily to an increase in salaries and benefits and building operation, and transportation expenses. From fiscal year 2014 to fiscal year 2015, revenue increased \$269,459.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Moravia Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how government services were financed in the short term as well as what remains for future spending. Fund financial statements report Moravia Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the non-major governmental funds and the non-major internal service funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

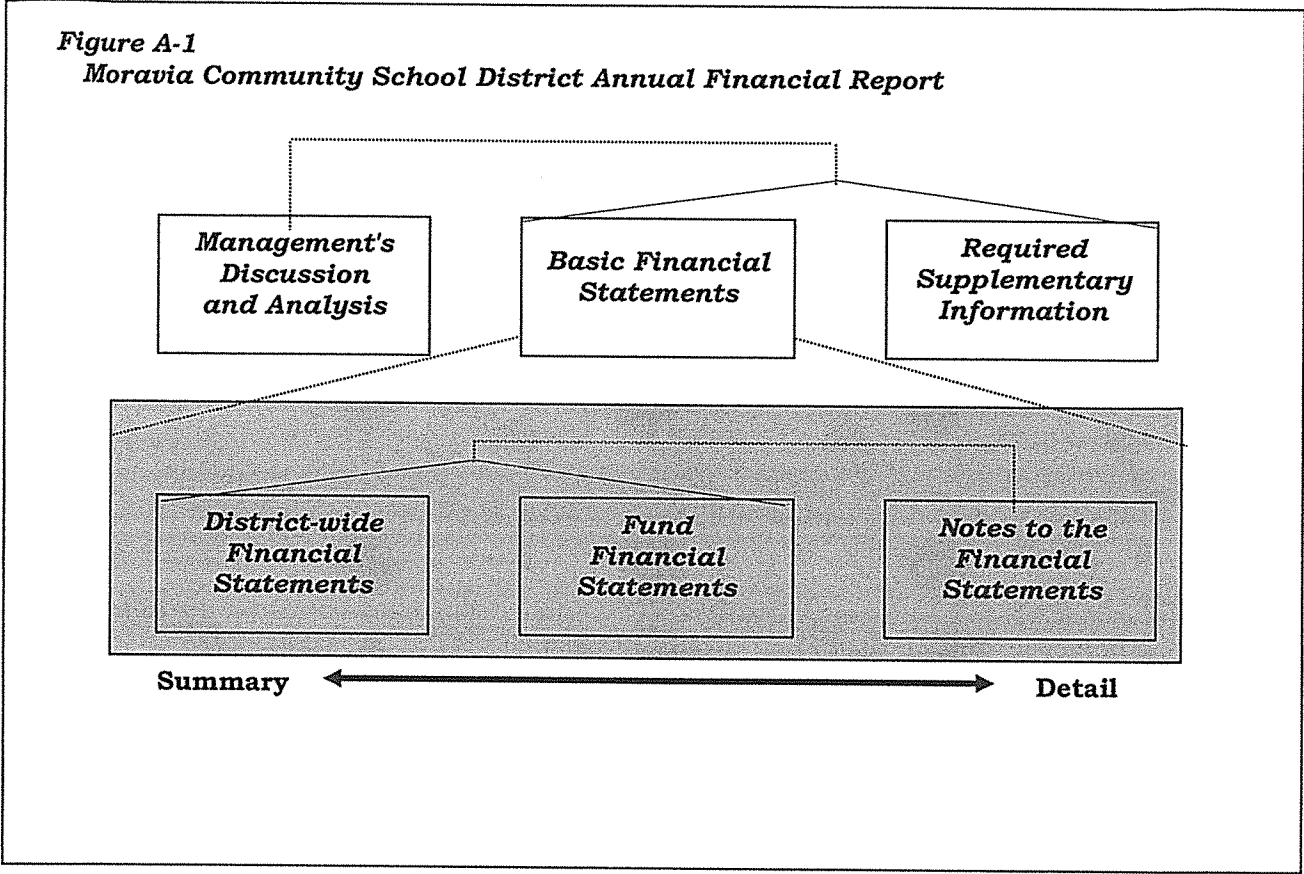


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and student construction	
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and student construction program are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities, but provide more detail and additional information, such as cash flows. The District's Enterprise Fund is the is the School Nutrition Fund. Internal Service Funds, the other type of proprietary fund, are optional and available to report activities that provide service for other District programs and activities. The District currently has two Internal Service Funds, the Flexible Spending Fund and the Health Insurance Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2015 compared to June 30, 2014.

Figure A-3								
Combined Statement of Net Position								
(Expressed in Thousands)								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2014		2014		2014			
	(Not		(Not		(Not			
	2015	Restated)	2015	Restated)	2015	Restated)	2014-2015	
Current and other assets	\$ 4,194	5,409	51	42	4,245	5,451	-22.1%	
Capital assets	5,807	2,587	12	15	5,819	2,602	123.6%	
Total assets	10,001	7,996	63	57	10,064	8,053	25.0%	
Deferred outflows of resources	144	-	5	-	149	-	100.0%	
Long-term liabilities	5,468	2,920	20	11	5,488	2,931	87.2%	
Other liabilities	889	628	61	4	950	632	50.3%	
Total liabilities	6,357	3,548	81	15	6,438	3,563	80.7%	
Deferred inflows of resources	1,986	1,356	19	-	2,005	1,356	47.9%	
Net position:								
Net investment in								
capital assets	2,302	2,332	12	15	2,314	2,347	-1.4%	
Restricted	909	548	-	-	909	548	65.9%	
Unrestricted	(1,409)	212	(44)	27	(1,453)	239	-707.9%	
Total net position	\$ 1,802	3,092	(32)	42	1,770	3,134	-43.5%	

The District's total net position decreased 43.5%, or approximately \$1,364,000, from the prior year. A large portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$361,000, or 65.9% over the prior year. The increase was primarily due to unspent revenue bond proceeds in the Capital Projects Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$1,692,000, or 707.9%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$1,957,517 and \$68,898, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-4 Changes in Net Position (Expressed in Thousands)								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	2014		2014		2014			
	(Not		(Not		(Not			
	2015	Restated)	2015	Restated)	2015	Restated)	2014-2015	
Revenues:								
Program revenues:								
Charges for service	\$ 906	822	81	81	987	903	9.3%	
Operating grants, contributions and restricted interest	676	698	154	154	830	852	-2.6%	
General revenues:								
Property tax	1,369	1,342	-	-	1,369	1,342	2.0%	
Income surtax	146	135	-	-	146	135	8.1%	
Statewide sales, services and use tax	333	299	-	-	333	299	11.4%	
Unrestricted state grants	1,747	1,549	-	-	1,747	1,549	12.8%	
Unrestricted investment earnings	1	2	-	-	1	2	-100.0%	
Other	81	108	-	-	81	108	-25.0%	
Total revenues	5,259	4,955	235	235	5,494	5,190	5.9%	
Program expenses:								
Instruction	2,970	2,988	-	-	2,970	2,988	-0.6%	
Support services	1,314	1,298	-	-	1,314	1,298	1.2%	
Non-instructional programs	1	1	240	248	241	249	-3.2%	
Other expenses	306	317	-	-	306	317	-3.5%	
Total expenses	4,591	4,604	240	248	4,831	4,852	-0.4%	
Change in net position, before transfers	668	351	(5)	(13)	663	338	96.2%	
Transfers, net	-	(31)	-	31	-	-	0.0%	
Change in net position	668	320	(5)	18	663	338	96.2%	
Net position beginning of year, as restated	1,134	2,772	(27)	24	1,107	2,796	-60.4%	
Net position end of year	\$ 1,802	3,092	(32)	42	1,770	3,134	-43.5%	

In fiscal 2015, property tax and unrestricted state grants account for 59.3% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 100% of the revenue from the business type activities. The District's total revenues were approximately \$5.5 million of which approximately \$5.26 million was for governmental activities and approximately \$235,000 was for business type activities.

As shown in figure A-4, the District as a whole experienced a 5.9% increase in revenues and a 0.4% decrease in expenses. Statewide sales, services and use tax and unrestricted state grants increased approximately \$34,000 and \$198,000, respectively, from fiscal year 2014 to fiscal year 2015.

Governmental Activities

Revenues for governmental activities were \$5,259,192 and expenses were \$4,590,845 for the year ended June 30, 2015. In a difficult budget year, the District's financial position increased due to decisions made by the District to control spending to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-5 Total and Net Cost of Governmental Activities (Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not Restated)	Change 2014-2015	2015	2014 (Not Restated)	Change 2014-2015
Instruction	\$ 2,970	2,988	-0.6%	1,539	1,611	-4.5%
Support services	1,314	1,298	1.2%	1,308	1,290	1.4%
Non-instructional programs	1	1	0.0%	1	1	0.0%
Other expenses	306	317	-3.5%	161	183	-12.0%
Total	\$ 4,591	4,604	-0.3%	3,009	3,085	-2.5%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$906,391.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$676,211.
- The net cost of governmental activities was financed with \$1,848,209 in property and other tax and \$1,746,570 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2015 were \$236,059, representing a 0.5% increase over the prior year while expenses totaled \$240,860, a 3.2% decrease under the prior year. The District's business type activities include the School Nutrition Fund. Revenues for these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Moravia Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,645,180, above below year's ending fund balances of \$3,217,267. The primary reason for the decrease was the result of costs incurred for the new building project.

Governmental Fund Highlights

- The General Fund balance increased from \$575,080 to \$780,175 was primarily due to an increase in unrestricted state grants received by the District.
- The Capital Projects Fund balance decreased due to costs incurred for the new building project. Fiscal year 2015 ended with a balance of \$630,797, consisting primarily of unexpended bond proceeds which will be expended as the project is completed.

BUDGETARY HIGHLIGHTS

Over the course of the year, Moravia Community School District did not amend its annual budget.

Total expenditures were more than budgeted. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area due to the District not budgeting for the new building project.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$5.8 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 123.6% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$118,819.

The original cost of the District's capital assets was approximately \$8.3 million. Governmental funds account for approximately \$8.2 million, with the remainder of approximately \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

During the year, the major increase in assets was due to construction in progress for the new building addition. The majority of the construction in progress was due to costs incurred in relation to the new elementary building addition and a new gymnasium.

Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-2015
Land	\$ 12	12	-	-	12	12	0.0%
Construction in progress	3,817	527	-	-	3,817	527	624.3%
Buildings	1,152	1,189	-	-	1,152	1,189	-3.1%
Improvements other than buildings	451	482	-	-	451	482	-6.4%
Furniture and equipment	375	377	12	15	387	392	-1.3%
Totals	\$ 5,807	2,587	12	15	5,819	2,602	123.6%

Long-Term Debt

At June 30, 2015, the District had \$3,505,000 in total long-term debt outstanding. This represents an increase of 45.7% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7
Outstanding Long-term Obligations
(Expressed in Thousands)

	Total District		Total Change
	June 30,		June 30,
	2015	2014	2014-2015
General obligation bonds	\$ 2,305	2,405	-4.2%
Revenue bonds	1,200	-	100.0%
Totals	\$ 3,505	2,405	45.7%

In fiscal year 2013, the District's voters authorized the issuance of \$2,500,000 of general obligation bonds and in fiscal year 2015 the District issued \$1,200,000 in revenue bonds to pay for construction of a new elementary building addition and a new gymnasium. Planning for the project started in fiscal year 2013 and the bond proceeds were received during fiscal year 2014 and 2015. The District had total outstanding bonded indebtedness at June 30, 2015 of \$3,505,000.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District expects a slight increase in enrollment due to families moving into the district as well as open enrolling into Moravia's school district.
- The continued housing development at Sundown Lake could increase tax base and enrollment.
- The Honey Creek Destination Park is located in the District. This should continue to generate an increase in the tax base due to related development in the region.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Christina Bickel, District Secretary/Treasurer and Business Manager, Moravia Community School District, 505 N. Trussell, Moravia, Iowa, 52571.

Basic Financial Statements

Moravia Community School District

Exhibit A

Statement of Net Position

June 30, 2015

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 2,397,855	36,983	2,434,838
Receivables:			
Property tax:			
Delinquent	30,689	-	30,689
Succeeding year	1,446,285	-	1,446,285
Accounts	3,609	-	3,609
Due from other governments	316,000	11,054	327,054
Inventories	-	2,414	2,414
Capital assets, net of accumulated depreciation	5,806,639	12,275	5,818,914
Total assets	10,001,077	62,726	10,063,803
Deferred Outflows of Resources			
Pension related deferred outflows	144,572	5,074	149,646
Liabilities			
Accounts payable	68,485	4,799	73,284
Contracts payable	165,905	-	165,905
Retainage payable	184,960	-	184,960
Salaries and benefits payable	399,933	10,354	410,287
Due to other governments	35,742	-	35,742
Accrued interest payable	34,119	-	34,119
Unearned revenue	-	4,678	4,678
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	100,000	-	100,000
Portion due after one year:			
General obligation bonds	2,205,000	-	2,205,000
Revenue bonds	1,200,000	-	1,200,000
Net pension liability	1,416,091	49,842	1,465,933
Net OPEB liability	546,913	11,162	558,075
Total liabilities	6,357,148	80,835	6,437,983
Deferred Inflows of Resources			
Unavailable property tax revenue	1,446,285	-	1,446,285
Pension related deferred inflows	540,057	19,008	559,065
Total deferred inflows of resources	1,986,342	19,008	2,005,350
Net Position			
Net investment in capital assets	2,301,639	12,275	2,313,914
Restricted:			
Nonexpendable:			
Education foundation	29,999	-	29,999
Expendable:			
Categorical funding	42,813	-	42,813
Restricted donation	2,143	-	2,143
Education foundation purposes	13,711	-	13,711
Debt service	106,685	-	106,685
Management levy purposes	54,174	-	54,174
Student activities	135,635	-	135,635
School infrastructure	506,304	-	506,304
Physical plant and equipment	18,493	-	18,493
Unrestricted	(1,409,437)	(44,318)	(1,453,755)
Total net position	\$ 1,802,159	(32,043)	1,770,116

See notes to financial statements.

Moravia Community School District

Exhibit B

Statement of Activities

Year ended June 30, 2015

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions / Programs:							
Governmental activities:							
Instruction:							
Regular instruction	\$ 1,958,560	587,412	379,816	-	(991,332)	-	(991,332)
Special instruction	385,357	91,044	141,740	-	(152,573)	-	(152,573)
Other instruction	626,054	221,233	9,887	-	(394,934)	-	(394,934)
	<u>2,969,971</u>	<u>899,689</u>	<u>531,443</u>	<u>-</u>	<u>(1,538,839)</u>	<u>-</u>	<u>(1,538,839)</u>
Support services:							
Student	83,853	-	-	-	(83,853)	-	(83,853)
Instructional staff	124,785	-	-	-	(124,785)	-	(124,785)
Administration	495,047	-	-	-	(495,047)	-	(495,047)
Operation and maintenance of plant	380,001	6,702	-	-	(373,299)	-	(373,299)
Transportation	230,810	-	-	-	(230,810)	-	(230,810)
	<u>1,314,496</u>	<u>6,702</u>	<u>-</u>	<u>-</u>	<u>(1,307,794)</u>	<u>-</u>	<u>(1,307,794)</u>
Non-instructional programs	838	-	-	-	(838)	-	(838)
Other expenditures:							
Facilities acquisition	2,395	-	-	-	(2,395)	-	(2,395)
Long-term debt interest	121,574	-	-	-	(121,574)	-	(121,574)
AEA flowthrough	144,768	-	144,768	-	-	-	-
Depreciation (unallocated)*	36,803	-	-	-	(36,803)	-	(36,803)
	<u>305,540</u>	<u>-</u>	<u>144,768</u>	<u>-</u>	<u>(160,772)</u>	<u>-</u>	<u>(160,772)</u>
Total governmental activities	<u>4,590,845</u>	<u>906,391</u>	<u>676,211</u>	<u>-</u>	<u>(3,008,243)</u>	<u>-</u>	<u>(3,008,243)</u>
Business type activities:							
Non-instructional programs:							
Food service operations	240,860	81,547	154,493	-	-	(4,820)	(4,820)
Total business type activities	<u>240,860</u>	<u>81,547</u>	<u>154,493</u>	<u>-</u>	<u>-</u>	<u>(4,820)</u>	<u>(4,820)</u>
Total	<u>\$ 4,831,705</u>	<u>987,938</u>	<u>830,704</u>	<u>-</u>	<u>(3,008,243)</u>	<u>(4,820)</u>	<u>(3,013,063)</u>
General Revenues and Transfers:							
Property tax levied for:							
General purposes					\$ 1,166,986	-	1,166,986
Debt service					171,979	-	171,979
Capital outlay					30,359	-	30,359
Income surtax					145,797	-	145,797
Statewide sales, services and use tax					333,088	-	333,088
Unrestricted state grants					1,746,570	-	1,746,570
Unrestricted investment earnings					1,146	19	1,165
Sale of real estate					300	-	300
Other					80,365	-	80,365
Total general revenues and transfers					<u>3,676,590</u>	<u>19</u>	<u>3,676,609</u>
Change in net position					668,347	(4,801)	663,546
Net position beginning of year, as restated					<u>1,133,812</u>	<u>(27,242)</u>	<u>1,106,570</u>
Net position end of year					<u>\$ 1,802,159</u>	<u>(32,043)</u>	<u>1,770,116</u>

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

Moravia Community School District

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2015

	General	Capital Projects	Nonmajor	Total
Assets				
Cash, cash equivalents and pooled investments	\$ 1,093,585	958,679	241,017	2,293,281
Receivables:				
Property tax:				
Delinquent	26,493	450	3,746	30,689
Succeeding year	1,179,123	30,859	236,303	1,446,285
Accounts	10	-	1,373	1,383
Due from other funds	1,864	-	-	1,864
Due from other governments	264,090	51,910	-	316,000
Total assets	\$2,565,165	1,041,898	482,439	4,089,502
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 29,044	29,377	10,064	68,485
Contracts payable	-	165,905	-	165,905
Retainage payable	-	184,960	-	184,960
Salaries and benefits payable	399,933	-	-	399,933
Due to other governments	35,742	-	-	35,742
Due to other funds	-	-	1,864	1,864
Total liabilities	464,719	380,242	11,928	856,889
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	1,179,123	30,859	236,303	1,446,285
Other	141,148	-	-	141,148
Total deferred inflows of resources	1,320,271	30,859	236,303	1,587,433
Fund balances:				
Nonspendable - Education foundation	-	-	29,999	29,999
Restricted for:				
Categorical funding	42,813	-	-	42,813
Restricted donation	2,143	-	-	2,143
Education foundation purposes	-	-	13,711	13,711
Debt service	-	106,000	685	106,685
Management levy purposes	-	-	54,174	54,174
Student activities	-	-	135,639	135,639
School infrastructure	-	506,304	-	506,304
Physical plant and equipment	-	18,493	-	18,493
Unassigned	735,219	-	-	735,219
Total fund balances	780,175	630,797	234,208	1,645,180
Total liabilities, deferred inflows of resources and fund balances	\$2,565,165	1,041,898	482,439	4,089,502

See notes to financial statements.

Moravia Community School District

Exhibit D

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position

Year ended June 30, 2015

Total fund balances of governmental funds (page 20) \$ 1,645,180

*Amounts reported for governmental activities in the
Statement of Net Position are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 5,806,639

The Internal Service Fund is used by management to charge the costs of the District's flexible spending plan and partial self funding of the health insurance plan to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Position. 106,800

Other long-term assets are not available to pay current period expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 141,148

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds. (34,119)

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflow of resources	\$ 144,572	
Deferred inflow of resources	<u>(540,057)</u>	(395,485)

Long-term liabilities, including bonds payable other post-employment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (5,468,004)

Net position of governmental activities (page 18) \$ 1,802,159

See notes to financial statements.

Moravia Community School District

Exhibit E

Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2015

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 1,214,696	30,337	252,551	1,497,584
Tuition	671,815	-	-	671,815
Other	17,310	2	233,521	250,833
State sources	2,269,641	333,108	164	2,602,913
Federal sources	219,219	-	-	219,219
Total revenues	4,392,681	363,447	486,236	5,242,364
Expenditures:				
Current:				
Instruction:				
Regular	1,998,684	2,019	14,944	2,015,647
Special	400,619	-	2,955	403,574
Other	502,630	-	226,033	728,663
	2,901,933	2,019	243,932	3,147,884
Support services:				
Student	87,151	-	636	87,787
Instructional staff	112,826	13,729	339	126,894
Administration	501,314	-	13,376	514,690
Operation and maintenance of plant	249,276	131,184	12,733	393,193
Transportation	190,318	-	9,196	199,514
	1,140,885	144,913	36,280	1,322,078
Non-instructional programs	-	-	838	838
Other expenditures:				
Facilities acquisition	-	3,184,582	-	3,184,582
Long-term debt:				
Principal	-	-	100,000	100,000
Interest, fiscal charges and bond issuance costs	-	43,548	71,053	114,601
AEA flowthrough	144,768	-	-	144,768
	144,768	3,228,130	171,053	3,543,951
Total expenditures	4,187,586	3,375,062	452,103	8,014,751
Excess (deficiency) of revenues over (under) expenditures	205,095	(3,011,615)	34,133	(2,772,387)
Other financing sources (uses):				
Sale of real estate	-	300	-	300
Issuance of revenue bonds	-	1,200,000	-	1,200,000
Total other financing sources (uses)	-	1,200,300	-	1,200,300
Change in fund balances	205,095	(1,811,315)	34,133	(1,572,087)
Fund balances beginning of year	575,080	2,442,112	200,075	3,217,267
Fund balances end of year	\$ 780,175	630,797	234,208	1,645,180

See notes to financial statements.

Moravia Community School District

Exhibit F

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2015

Net change in fund balances - total governmental funds (page 22) \$(1,572,087)

*Amounts reported for governmental activities in the
Statement of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 3,335,711	
Depreciation expense	<u>(115,939)</u>	3,219,772

Certain revenues not collected for several months after year end are not considered available revenue and are deferred in the governmental funds.		16,525
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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuances exceeded repayments, as follows:

Issued	(1,200,000)	
Repaid	<u>100,000</u>	(1,100,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		(28,257)
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The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.		216,845
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures of the governmental funds, as follows:

Pension expense	(70,907)	
Other postemployment benefits	<u>(32,007)</u>	(102,914)

The Internal Service fund is used by management to charge the costs of the District's flexible spending plan and partial self funding of the health insurance plan to individual funds. The change in net assets of the Internal Service Fund are reported in governmental activities.		<u>18,463</u>
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Change in net position of governmental activities (page 19)		<u>\$ 668,347</u>
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See notes to financial statements.

Moravia Community School District

Exhibit G

Statement of Net Position
Proprietary Funds

June 30, 2015

	Business - Type Activities Nonmajor Enterprise, School Nutrition	Governmental Activities Internal Service
Assets		
Current assets:		
Cash and cash equivalents	\$ 36,983	104,574
Due from other governments	11,054	-
Accounts receivable	-	2,226
Inventories	2,414	-
Total current assets	<u>50,451</u>	<u>106,800</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	<u>12,275</u>	-
Total noncurrent assets	<u>12,275</u>	-
Total assets	<u>62,726</u>	<u>106,800</u>
Deferred Outflows of Resources		
Pension related deferred outflows	<u>5,074</u>	-
Liabilities		
Current liabilities:		
Accounts payable	4,799	-
Salaries and benefits payable	10,354	-
Unearned revenue	4,678	-
Total current liabilities	<u>19,831</u>	-
Noncurrent liabilities:		
Net pension liability	49,842	-
Net OPEB liability	11,162	-
Total noncurrent liabilities	<u>61,004</u>	-
Total liabilities	<u>80,835</u>	-
Deferred Inflows of Resources		
Pension related deferred inflows	<u>19,008</u>	-
Net Position		
Net investment in capital assets	12,275	-
Unrestricted	<u>(44,318)</u>	<u>106,800</u>
Total net position	<u>\$ (32,043)</u>	<u>106,800</u>

See notes to financial statements.

Moravia Community School District

Exhibit H

Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Funds

Year ended June 30, 2015

	Business-Type Activities Nonmajor Enterprise, School Nutrition	Governmental Activities Internal Service
Operating revenues:		
Local sources:		
Charges to operating funds	\$ -	505,901
Charges for service	81,547	-
Charges to employees and others	-	41,459
Total operating revenues	81,547	547,360
Operating expenses:		
Non-instructional programs:		
Salaries	86,540	-
Benefits	33,266	-
Purchased services	537	-
Supplies	117,637	-
Insurance premiums	-	465,062
Medical claims	-	36,419
Flexible spending claims	-	14,271
Administrative fees	-	13,325
Depreciation	2,880	-
Total operating expenses	240,860	529,077
Operating income (loss)	(159,313)	18,283
Non-operating revenues:		
State sources	1,908	-
Federal sources	152,585	-
Interest income	19	180
Net non-operating revenues	154,512	180
Increase (Decrease) in net position	(4,801)	18,463
Net position beginning of year, as restated	(27,242)	88,337
Net position end of year	\$ (32,043)	106,800

See notes to financial statements.

Moravia Community School District

Exhibit I

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2015

	Business-Type Activities Nonmajor Enterprise, School Nutrition	Governmental Activities Internal Service
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 81,778	-
Cash received from operating fund reimbursements	-	518,838
Cash received from employees and others	-	26,296
Cash payments to suppliers for services	-	(529,077)
Cash payments to employees for services	(124,960)	-
Cash payments to suppliers for goods and services	(97,809)	-
Net cash provided (used) by operating activities	(140,991)	16,057
Cash flows from non-capital financing activities:		
State grants received	1,908	-
Federal grants received	148,937	-
Net cash provided by non-capital financing activities	150,845	-
Cash flows from investing activities:		
Interest on investments	18	180
Net increase in cash and cash equivalents	9,872	16,237
Cash and cash equivalents at beginning of year	27,111	88,337
Cash and cash equivalents at end of year	\$ 36,983	104,574
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (159,313)	18,283
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Commodities used	4,870	-
Depreciation	2,880	-
Increase in accounts receivable	-	(2,226)
Decrease in inventories	342	-
Increase in accounts payable	4,799	-
Increase in salaries and benefits payable	10,354	-
Increase in unearned revenue	231	-
Decrease in net pension liability	(26,400)	-
Decrease in deferred outflows of resources	2,270	-
Increase in deferred inflows of resources	19,008	-
Decrease in net OPEB liability	(32)	-
Net cash provided (used) by operating activities	\$ (140,991)	16,057

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$4,870 of federal commodities.

Moravia Community School District

Notes to Financial Statements

June 30, 2015

(1) **Summary of Significant Accounting Policies**

Moravia Community School District (District) is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Moravia, Iowa, and the predominate agricultural territory in Appanoose, Davis and Monroe Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The District has one component unit which meets the Governmental Accounting Standards Board criteria.

Blended Component Unit – The Moravia Education Foundation (Foundation) is included in the financial statements of the District because its relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The members and Board of Directors of the Foundation consist of the members of the District's Board of Education. In addition, the purpose of the Foundation is to support the activities of the District.

Jointly Governed Organizations – The District participates in jointly governed organizations which provide services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Appanoose, Davis and Monroe County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. All enterprise funds are aggregated and reported as nonmajor enterprise funds. All internal service funds are aggregated and reported as governmental activities in the proprietary funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

Additionally the District reports three non-major proprietary funds. The Enterprise, School Nutrition Fund is used to account for the food service operations of the District. The Internal Service, Flexible Spending Fund is utilized to account for employee flexible benefits. The Internal Service, Health Insurance Fund is used to account for costs associated with the District's partial self-funded health insurance program. The Internal Service Funds are charged back to the Governmental Funds and shown combined in the Statement of Net Position and the Statement of Activities.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting journal entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed or used rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles are reported in applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated/amortized using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20-50 years
Intangibles	5-10 years
Furniture and equipment	5-15 years

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Salaries and Benefits Payable – Payroll and related expenditures for teachers and other District personnel with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Compensated Absences – District employees accumulate a limited amount of vacation time; however, the unused amounts are not paid at termination, death or retirement. Consequently, no accrual is made in the financial statements for compensated absences.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of income surtax, as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the other expenditures function.

(2) **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. However, at times during the year ended June 30, 2015, it is unclear if the District's bank deposits were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the deposits to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio Fund which are valued at an amortized cost of \$45,188, pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment on the Iowa Schools Joint Investment Trust was rated AAAm by Standard & Poor's Financial Services.

The Foundation invests in a checking account, money market account and stock. At June 30, 2015, the cost of the stock was \$25,174, and the fair value was \$7,513. The stock is reported at fair value, as determined by the investment company handling the account. The Foundation's investments are all category 1, which means that the investments are held by the Foundation in the Foundation's name. The investment balances of the Foundation's funds are reported at the carrying amount which reasonably estimates fair value.

(3) Due From and Due to Other Funds

The detail of interfund receivable and payable at June 30, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
General	Debt Service	\$ 1,864

The above represents monies due from one fund to another fund as a result of a deficit cash balance in a pooled cash bank account.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 12,448	-	-	12,448
Construction in progress	527,238	3,289,686	-	3,816,924
Total capital assets not being depreciated	539,686	3,289,686	-	3,829,372
Capital assets being depreciated:				
Buildings	2,834,900	-	-	2,834,900
Improvements other than buildings	733,353	3,650	-	737,003
Furniture and equipment	722,838	42,375	-	765,213
Total capital assets being depreciated	4,291,091	46,025	-	4,337,116
Less accumulated depreciation for:				
Buildings	1,646,068	36,803	-	1,682,871
Improvements other than buildings	251,771	34,582	-	286,353
Furniture and equipment	346,071	44,554	-	390,625
Total accumulated depreciation	2,243,910	115,939	-	2,359,849
Total capital assets being depreciated, net	2,047,181	(69,914)	-	1,977,267
Governmental activities capital assets, net	\$ 2,586,867	3,219,772	-	5,806,639
Business type activities:				
Furniture and equipment	\$ 127,694	-	-	127,694
Less accumulated depreciation	112,539	2,880	-	115,419
Business type activities capital assets, net	\$ 15,155	(2,880)	-	12,275

Depreciation expense was charged to the following functions:

Government activities:

Instruction:	
Other	\$ 4,944
Support services:	
Operation and maintenance of plant	37,410
Transportation	36,782
	<u>79,136</u>
Unallocated	<u>36,803</u>
Total depreciation expense - governmental activities	<u>\$ 115,939</u>

Business type activities:

Food service operations	<u>\$ 2,880</u>
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(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year Restated	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$2,405,000	-	100,000	2,305,000	100,000
Revenue bonds	-	1,200,000	-	1,200,000	-
Net pension liability	2,166,165	-	750,074	1,416,091	-
Net OPEB liability	514,906	32,007	-	546,913	-
Total	<u>\$5,086,071</u>	<u>1,232,007</u>	<u>850,074</u>	<u>5,468,004</u>	<u>100,000</u>

	Balance Beginning of Year Restated	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net pension liability	\$ 76,242	-	26,400	49,842	-
Net OPEB liability	11,194	-	32	11,162	-
Total	<u>\$ 87,436</u>	<u>-</u>	<u>26,432</u>	<u>61,004</u>	<u>-</u>

General Obligation Bonds

Details of the District's June 30, 2015 general obligation indebtedness is as follows:

Year Ending June 30,	Bond Issue of July 1, 2013			
	Interest Rates	Principal	Interest	Total
2016	4.00%	\$ 100,000	66,303	166,303
2017	3.50%	105,000	62,302	167,302
2018	3.00%	110,000	58,628	168,628
2019	2.00%	110,000	55,328	165,328
2020	2.00%	115,000	53,128	168,128
2021-2025	2.00-2.60%	610,000	228,978	838,978
2026-2030	3.00-3.25%	690,000	143,868	833,868
2031-2033	3.25-3.40%	465,000	31,735	496,735
Total		\$ 2,305,000	700,270	3,005,270

Revenue Bonds

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 2015			
	Interest Rates	Principal	Interest	Total
2016	-	\$ -	19,478	19,478
2017	0.70%	70,000	25,725	95,725
2018	1.00%	80,000	25,080	105,080
2019	1.20%	80,000	24,200	104,200
2020	1.40%	80,000	23,160	103,160
2021-2025	1.70-2.60%	415,000	92,355	507,355
2026-2030	2.60-3.00%	475,000	35,600	510,600
Total		\$ 1,200,000	245,598	1,445,598

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,200,000 of bonds issued in April, 2015. The bonds were issued for the purpose of financing a portion of the costs of a school building addition. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through July 1, 2019. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require less than 6% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$1,445,598. For the current year, no principal or interest was paid on the bonds and total statewide sales, services and use tax revenues were \$333,088.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$106,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.

- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District did not comply with all of the revenue bond provisions during the year ended June 30, 2015. The District did not make transfers to the sinking account as required.

(6) Operating Lease

The District entered into a lease on April 26, 2012 to lease copier equipment at \$939 per month. The lease has been classified as an operating lease and, accordingly, all rents are charged to expense as incurred. The lease expires on June 26, 2017.

The following is a schedule of future payments required under the operating lease which has an initial or remaining non-cancelable lease term in excess of one year as of June 30, 2015:

Year Ended June 30,	Amount
2016	\$ 13,472
2017	<u>12,436</u>
	<u>\$ 25,908</u>

During the fiscal year, total expenditures incurred in relation to this lease agreement was \$11,932.

(7) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$224,462.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability for its proportionate share of the collective net pension liability totaled \$1,465,933. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the collective net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's proportion was 0.036222 percent, which was a decrease of 0.003382 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the District recognized pension expense of \$73,402. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,932	-
Changes of assumptions	64,695	-
Net difference between projected and actual earnings on pension plan investments	-	559,065
Changes in proportion and differences between District contributions and proportionate share of contributions	-	155,443
District contributions subsequent to the measurement date	224,462	-
Total	\$ 305,089	714,508

\$224,462 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (157,247)
2017	(157,247)
2018	(157,246)
2019	(157,246)
2020	(4,895)
	<u>\$ (633,881)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23 %	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100 %</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
District's proportionate share of the net pension liability	\$2,769,839	1,465,933	365,301

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$18,846 for legally required employer contributions and \$12,565 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for employees and retirees and their spouses. There are 50 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially-insured plan with United Healthcare, with the District covering the difference in amounts for purchased plans with those paid by employees. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 55,096
Interest on net OPEB obligation	13,146
Adjustment to annual required contribution	<u>(36,267)</u>
Annual OPEB cost	31,975
Contributions made	<u>-</u>
Increase in net OPEB obligation	31,975
Net OPEB obligation beginning of year	<u>526,100</u>
Net OPEB obligation end of year	<u>\$ 558,075</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$0 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 30,070	5.4%	\$ 498,692
2014	27,408	0.0%	526,100
2015	31,975	0.0%	558,075

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2015, the actuarial accrued liability was \$95,743, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$95,743. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2.195 million and the ratio of the UAAL to covered payroll was 4.4%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a gender-specific basis.

Projected claim costs of the medical plan are \$616 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on a closed group method over 30 years.

(9) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District has a partially self-funded health insurance program. The District funds the difference between the deductible and the out-of-pocket maximum on the plan chosen by the employee and the plan actually purchased by the District. The differences consist of a maximum District cost of \$2,000 for a single plan and \$4,000 for a family plan. The financial activity of this plan is accounted for in the Internal Service, Health Insurance Fund. The reserve for future casualty losses was \$95,168 at June 30, 2015.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$144,768 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Foundation

The Foundation is a 501 (c) 3 organization reported as a Special Revenue Fund in the financial statements. The purpose of the Foundation is to provide advancement, enhancement, or support to education in the District. The bylaws state that 90% of the realized income will be used to support grants, and 10% will be reinvested in the fund, along with the original principal amount. At June 30, 2015, the District determined that \$29,999 of the total amount in this fund must remain in perpetuity to fund the activities of the foundation. This amount is reported as a nonspendable fund balance on the balance sheet.

(12) Deficit Unrestricted Net Position

In the Statement of Net Position, the District had a deficit unrestricted net position in its Governmental Activities of \$1,409,437 and a deficit unrestricted net position in its Business Type Activities of \$44,318 at June 30, 2015. The reason for these deficit net positions is due to the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 during fiscal year, which requires all school districts and other governmental entities in the state of Iowa who contribute to IPERS to show their proportionate share of the IPERS funding deficit as a liability on each entity's financials beginning in fiscal year 2015.

(13) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

Program	Amount
Drop Out Prevention Program	\$ 5,273
Successful Progression for Early Readers	6,219
Professional Development for Model Core Curriculum	8,687
Professional Development	21,629
Teacher Leadership Grants	1,005
Total	<u>\$ 42,813</u>

(14) Commitment

The District entered into a contract and contract amendments totaling \$3,403,400 for the construction of a new school addition. As of June 30, 2015, costs of \$3,318,104 had been incurred against the contract. The contract balance will be paid as work on the projects progress.

(15) Subsequent Events

The District has evaluated subsequent events through February 15, 2016, which is the date the financial statements were available to be issued.

(16) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27, was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB Statement No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business type Activities
Net position June 30, 2014, as previously reported	\$ 3,091,329	41,656
Net pension liability at June 30, 2014	(2,166,165)	(76,242)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>208,648</u>	<u>7,344</u>
Net position July 1, 2014, as restated	<u>\$ 1,133,812</u>	<u>(27,242)</u>

Required Supplementary Information

Moravia Community School District

Budgetary Comparison Schedule of
Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Less Funds Not Required to be Budgeted	Net	Original/ Final Budgeted Amounts	Budget to Net Variance
Revenues:							
Local sources	\$ 2,420,232	629,106	3,049,338	547,540	2,501,798	3,146,049	(644,251)
State sources	2,602,913	1,908	2,604,821	-	2,604,821	2,626,414	(21,593)
Federal sources	219,219	152,585	371,804	-	371,804	470,563	(98,759)
Total revenues	5,242,364	783,599	6,025,963	547,540	5,478,423	6,243,026	(764,603)
Expenditures/Expenses:							
Instruction	3,147,884	-	3,147,884	-	3,147,884	3,494,000	346,116
Support services	1,322,078	-	1,322,078	-	1,322,078	1,614,000	291,922
Non-instructional programs	838	769,937	770,775	529,077	241,698	280,000	38,302
Other expenditures	3,543,951	-	3,543,951	-	3,543,951	859,525	(2,684,426)
Total expenditures/expenses	8,014,751	769,937	8,784,688	529,077	8,255,611	6,247,525	(2,008,086)
Excess (deficiency) of revenues over (under) expenditures	(2,772,387)	13,662	(2,758,725)	18,463	(2,777,188)	(4,499)	(2,772,689)
Other financing sources (uses), net	1,200,300	-	1,200,300	-	1,200,300	(18,793)	1,219,093
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses and other financing uses	(1,572,087)	13,662	(1,558,425)	18,463	(1,576,888)	(23,292)	(1,553,596)
Balances beginning of year, as restated	3,217,267	61,095	3,278,362	88,337	3,190,025	734,437	2,455,588
Balances end of year	\$ 1,645,180	74,757	1,719,937	106,800	1,613,137	711,145	901,992

See accompanying independent auditor's report.

Moravia Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The Moravia Community School District's (District) budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not adopt a budget amendment.

During the year ended June 30, 2015, expenditures in the other expenditures function exceeded the amount budgeted.

Moravia Community School District

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.036222%
District's proportionate share of the net pension liability	\$ 1,466
District's covered employee payroll	\$ 2,416
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.67%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Moravia Community School District

Schedule of District Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years
(In Thousands)

Required Supplementary Information

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 225	216	202	181	136	128	130	118	108	104
Contributions in relation to the statutorily required contribution	(225)	(216)	(202)	(181)	(136)	(128)	(130)	(118)	(108)	(104)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 2,521	2,416	2,330	2,243	1,956	1,925	2,047	1,950	1,878	1,809
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

See accompanying independent auditor's report.

Moravia Community School District

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Moravia Community School District

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 1,167	1,167	0.0%	\$ 1,961	59.5%
2011	July 1, 2009	-	1,167	1,167	0.0%	2,515	46.4%
2012	July 1, 2009	-	1,167	1,167	0.0%	2,244	52.0%
2013	July 1, 2012	-	96	96	0.0%	2,018	4.7%
2014	July 1, 2012	-	96	96	0.0%	2,096	4.6%
2015	July 1, 2012	-	96	96	0.0%	2,195	4.4%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

Moravia Community School District

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2015

	Special Revenue				
	Moravia Education Foundation	Student Activity	Management Levy	Debt Service	Total
Assets					
Cash, cash equivalents and pooled investments	\$ 43,710	144,304	53,003	-	241,017
Receivables:					
Property tax:					
Delinquent	-	-	1,197	2,549	3,746
Succeeding year	-	-	70,000	166,303	236,303
Accounts	-	1,373	-	-	1,373
Total assets	\$ 43,710	145,677	124,200	168,852	482,439
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ -	10,038	26	-	10,064
Due to other funds	-	-	-	1,864	1,864
Total liabilities	-	10,038	26	1,864	11,928
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	-	-	70,000	166,303	236,303
Total deferred inflows of resources	-	-	70,000	166,303	236,303
Fund balances:					
Nonspendable - Education foundation	29,999	-	-	-	29,999
Restricted for:					
Education foundation purposes	13,711	-	-	-	13,711
Debt service	-	-	-	685	685
Management levy purposes	-	-	54,174	-	54,174
Student activities	-	135,639	-	-	135,639
Total fund balances	43,710	135,639	54,174	685	234,208
Total liabilities, deferred inflows of resources and fund balances	\$ 43,710	145,677	124,200	168,852	482,439

See accompanying independent auditor's report.

Moravia Community School District

Schedule 2

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2015

	Special Revenue				Total
	Moravia Education Foundation	Student Activity	Management Levy	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ -	-	80,719	171,832	252,551
Other	12,247	221,233	6	35	233,521
State sources	-	-	52	112	164
Total revenues	12,247	221,233	80,777	171,979	486,236
Expenditures:					
Current:					
Instruction:					
Regular	3,300	-	11,644	-	14,944
Special	-	-	2,955	-	2,955
Other	-	222,574	3,459	-	226,033
Support services:					
Student	-	-	636	-	636
Instructional staff	-	-	339	-	339
Administration	-	-	13,376	-	13,376
Operation and maintenance of plant	-	-	12,733	-	12,733
Transportation	-	-	9,196	-	9,196
Non-instructional programs	-	-	838	-	838
Other expenditures:					
Long-term debt:					
Principal	-	-	-	100,000	100,000
Interest and fiscal changes	-	-	-	71,053	71,053
Total expenditures	3,300	222,574	55,176	171,053	452,103
Change in fund balances	8,947	(1,341)	25,601	926	34,133
Fund balances beginning of year	34,763	136,980	28,573	(241)	200,075
Fund balances end of year	\$ 43,710	135,639	54,174	685	234,208

See accompanying independent auditor's report.

Moravia Community School District

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
Interest	\$ 330	54	-	-	384
Variety Show	3,356	753	243	-	3,866
Adopt-a-book	568	100	99	-	569
Band Trip	16,717	42,518	48,425	-	10,810
Show Choir	809	4,640	4,834	-	615
Yearbook	10,079	8,061	7,475	-	10,665
Football Cheerleaders	831	835	645	-	1,021
Wrestling Cheerleaders	291	519	422	-	388
Drama	142	-	-	-	142
Spanish Club	103	-	-	-	103
FFA	31,971	27,549	25,363	-	34,157
FCCLA	863	225	652	-	436
Academic Dream	-	1,638	487	(173)	978
Student Council	784	4,018	3,317	-	1,485
Student Development	589	276	-	-	865
Elementary	11,216	17,299	13,518	(2,643)	12,354
Concessions	552	18,594	18,879	-	267
Construction	-	-	117	117	-
Class of 2015	8,596	5,791	14,776	389	-
Class of 2016	6,669	7,781	3,453	-	10,997
Class of 2017	5,887	3,864	2,101	-	7,650
Class of 2018	3,133	1,556	360	-	4,329
Class of 2019	3,467	3,946	594	-	6,819
Class of 2020	-	1,067	855	-	212
Class of 2021	501	218	216	-	503
High School Activity	2,740	14,193	14,523	173	2,583
Speech Club	26	-	-	-	26
National Honor Society	679	796	3,656	2,566	385
Boys Track	73	90	51	-	112
Athletics	12,238	30,495	30,360	(162)	12,211
Junior High Volleyball	89	585	365	-	309
Boys Basketball	1,071	4,123	4,145	(212)	837
High School Football	4,249	4,748	8,238	-	759
Baseball	2,030	1,238	2,770	-	498
Wrestling	1,970	4,421	4,473	105	2,023
Girls Basketball	771	2,253	1,192	(160)	1,672
Volleyball	2,874	1,176	1,788	-	2,262
Softball	497	2,553	2,269	-	781
Cross Country	1	575	566	-	10
Girls Track	4	1,015	1,005	-	14
Golf	214	1,670	342	-	1,542
Total	\$ 136,980	221,233	222,574	-	135,639

See accompanying independent auditor's report.

Moravia Community School District

Schedule 4

Combining Balance Sheet
Capital Project Accounts

June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and cash equivalents	\$ 939,887	18,792	958,679
Receivables:			
Property tax:			
Delinquent	-	450	450
Succeeding year	-	30,859	30,859
Due from other governments	51,910	-	51,910
Total assets	\$ 991,797	50,101	1,041,898
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 28,628	749	29,377
Contracts payable	165,905	-	165,905
Retainage payable	184,960	-	184,960
Total liabilities	379,493	749	380,242
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	30,859	30,859
Total deferred inflows of resources	-	30,859	30,859
Fund balances:			
Restricted for:			
Debt service	106,000	-	106,000
School infrastructure	506,304	-	506,304
Physical plant and equipment	-	18,493	18,493
Total fund balances	612,304	18,493	630,797
Total liabilities, deferred inflows of resources and fund balances	\$ 991,797	50,101	1,041,898

See accompanying independent auditor's report.

Moravia Community School District

Schedule 5

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances

Capital Project Accounts

Year ended June 30, 2015

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Building Construction Project	Total
Revenues:				
Local sources:				
Local tax	\$ -	30,337	-	30,337
Other	-	2	-	2
State sources	333,088	20	-	333,108
Total revenues	333,088	30,359	-	363,447
Expenditures:				
Instruction:				
Regular	-	2,019	-	2,019
Support services:				
Instructional staff	13,729	-	-	13,729
Operation and maintenance of plant	129,587	1,597	-	131,184
Other expenditures:				
Facilities acquisition	796,216	11,175	2,377,191	3,184,582
Long-term debt:				
Bond issuance costs	43,548	-	-	43,548
Total expenditures	983,080	14,791	2,377,191	3,375,062
Excess (deficiency) of revenues over (under) expenditures	(649,992)	15,568	(2,377,191)	(3,011,615)
Other financing sources (uses):				
Sale of real estate	-	300	-	300
Issuance of revenue bonds	1,200,000	-	-	1,200,000
Intrafund transfer in (out)	(227,163)	-	227,163	-
Total other financing sources (uses)	972,837	300	227,163	1,200,300
Change in fund balances	322,845	15,868	(2,150,028)	(1,811,315)
Fund balances beginning of year	289,459	2,625	2,150,028	2,442,112
Fund balances end of year	\$ 612,304	18,493	-	630,797

See accompanying independent auditor's report.

Moravia Community School District

Schedule 6

Combining Schedule of Net Position
Internal Service Funds

June 30, 2015

	Internal Service Funds		
	Flexible Spending	Health Insurance	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 9,406	95,168	104,574
Accounts receivable	2,226	-	2,226
Total assets	11,632	95,168	106,800
Net Position			
Unrestricted	11,632	95,168	106,800
Total net position	\$ 11,632	95,168	106,800

See accompanying independent auditor's report.

Moravia Community School District

Schedule 7

Combining Schedule of Revenues, Expenses, and
Changes in Fund Net Position
Internal Service Funds

Year ended June 30, 2015

	Internal Service Funds		
	Flexible Spending	Health Insurance	Total
Operating revenues:			
Charges to operating funds	\$ -	505,901	505,901
Charges to employees and others	20,682	20,777	41,459
Total operating revenues	20,682	526,678	547,360
Operating expenses:			
Non-instructional programs:			
Insurance premiums	-	465,062	465,062
Medical claims	-	36,419	36,419
Flexible spending claims	14,271	-	14,271
Administrative fees	-	13,325	13,325
Total operating expenses	14,271	514,806	529,077
Operating income	6,411	11,872	18,283
Non-operating revenues:			
Interest income	-	180	180
Net non-operating revenues	-	180	180
Increase in net position	6,411	12,052	18,463
Net position beginning of year	5,221	83,116	88,337
Net position ending of year	\$ 11,632	95,168	106,800

See accompanying independent auditor's report.

Moravia Community School District

Schedule 8

Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2015

	Internal Service Funds		
	Flexible Spending	Health Insurance	Total
Cash flows from operating activities:			
Cash received from operating fund reimbursements	\$ -	518,838	518,838
Cash received from employees and others	18,456	7,840	26,296
Cash payments to suppliers for services	(14,271)	(514,806)	(529,077)
Net cash provided by operating activities	4,185	11,872	16,057
Cash flows from investing activities:			
Interest on investments	-	180	180
Net increase in cash and cash equivalents	4,185	12,052	16,237
Cash and cash equivalents at beginning of year	5,221	83,116	88,337
Cash and cash equivalents at end of year	\$ 9,406	95,168	104,574
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 6,411	11,872	18,283
Adjustments to reconcile operating income to net cash provided by operating activities			
Increase in accounts receivable	(2,226)	-	(2,226)
Net cash provided by operating activities	\$ 4,185	11,872	16,057

See accompanying independent auditor's report.

Moravia Community School District

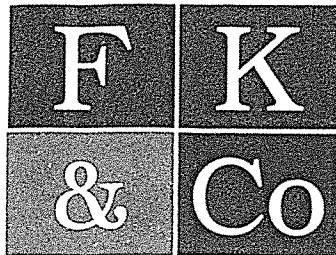
Schedule 9

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Ten Years

	Modified Accrual Basis									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$1,497,584	1,483,286	1,613,614	1,654,654	1,525,122	1,437,914	1,351,362	1,280,131	1,228,530	1,098,441
Tuition	671,815	575,585	439,156	459,136	398,636	362,679	301,352	222,893	289,844	250,341
Other	250,833	271,349	258,316	258,627	233,000	242,574	205,313	204,157	230,243	211,508
State sources	2,602,913	2,358,430	2,087,482	2,112,133	1,922,751	1,579,743	1,878,423	1,664,519	1,586,760	1,552,826
Federal sources	219,219	224,276	330,550	247,726	329,958	441,479	252,528	172,633	248,164	320,572
Total	\$5,242,364	4,912,926	4,729,118	4,732,276	4,409,467	4,064,389	3,988,978	3,544,333	3,583,541	3,433,688
Expenditures:										
Instruction:										
Regular	\$2,015,647	1,889,340	1,995,128	1,882,591	1,789,589	1,664,066	1,603,477	1,548,758	1,355,157	1,296,673
Special	403,574	379,630	375,493	358,831	378,541	541,244	530,048	331,114	398,202	313,993
Other	728,663	733,555	676,257	608,117	553,178	531,272	589,668	566,413	489,379	510,474
Support services:										
Student	87,787	81,096	102,875	101,275	97,084	74,262	13,846	90,307	85,143	81,765
Instructional staff	126,894	143,948	159,860	188,503	103,743	93,135	85,674	29,639	58,090	75,068
Administration	514,690	499,630	464,596	431,985	417,788	410,919	416,614	436,077	459,719	441,552
Operation and maintenance of plant	393,193	333,276	344,838	355,551	246,005	207,547	224,937	247,452	221,922	196,670
Transportation	199,514	323,060	306,474	227,177	246,979	248,293	186,508	194,660	137,340	191,623
Non-instructional programs	838	853	795	515	617	682	475	482	457	618
Other expenditures:										
Facilities acquisition	3,184,582	460,913	47,468	100,448	103,220	81,683	102,337	230,147	58,392	267,315
Long-term debt:										
Principal	100,000	95,000	55,000	90,000	90,000	85,000	85,000	85,000	80,000	75,000
Interest and other charges	114,601	145,942	2,644	5,975	9,030	11,784	14,378	16,935	18,634	20,435
AEA flowthrough	144,768	134,168	131,236	126,933	132,313	122,476	111,392	103,255	96,106	91,933
Total	\$8,014,751	5,220,411	4,662,664	4,477,901	4,168,087	4,072,363	3,964,354	3,880,239	3,458,541	3,563,119

See accompanying independent auditor's report.



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Moravia Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Moravia Community School District (District) as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 15, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A), (B), (D), (E) and (F) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (C) and (G) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

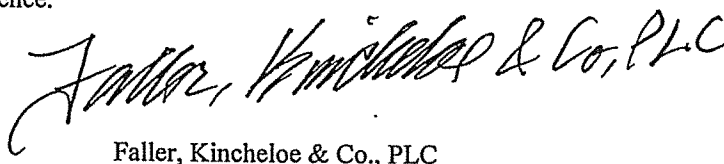
The District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


Faller, Kincheloe & Co., PLC

Des Moines, Iowa
February 15, 2016

Moravia Community School District

Schedule of Findings

Year ended June 30, 2015

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the Moravia Community School District (District):

- (1) Cash – initiating cash disbursement transactions and recording cash.
- (2) Investments – investing, detailed recordkeeping, custody of investments and reconciling earnings.
- (3) Receipts – recording, journalizing, posting and reconciling.
- (4) Disbursements – purchase order processing, check preparation, mailing and recording.
- (5) Capital assets – purchasing, recording and reconciling.
- (6) Long-term debt – recording, reconciling and performing cash functions.
- (7) Wire transfers – processing and approving.
- (8) Payroll – recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- (9) Transfers – preparing and approving.
- (10) Financial reporting – preparing, reconciling and approving.
- (11) Computer systems – performing all general accounting functions and controlling all data input and output.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing current personnel, including elected officials.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response acknowledged.

- (B) Moravia Education Foundation – A double entry accounting system is not used by the Moravia Education Foundation (Foundation). As a result, the District was unable to prepare accurate financial statements in accordance with generally accepted accounting principles for the Foundation for the year ended June 30, 2015.

Recommendation – The Foundation should implement a double entry accounting system, and prepare financial statements on a monthly and yearly basis.

Response – We will attempt to implement this recommendation.

Conclusion – Response acknowledged.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2015

- (C) Student Activity Fund – For Activity Fund fundraisers, there are no documented procedures in place to reconcile the cash receipts to the amount of money that should have been collected based on the quantity of merchandise purchased for resale or gross profit percentage.

Recommendation – The District should implement procedures for fundraisers which documents the reconciliation of actual monies collected to the amount of money that should have been collected based on quantity of merchandise purchased for resale or gross profit percentages.

Response – We will review this area.

Conclusion – Response acknowledged.

- (D) Admission Tickets – Admission tickets were not consistently issued for athletic events.

Recommendation – The District should issue pre-numbered admission tickets for athletic events. The District should then reconcile the dollar value of pre-numbered admission tickets issued to the dollar amount of cash deposited to the bank account.

Response – We will implement these recommendations.

Conclusion – Response acknowledged.

- (E) Preparation of Full Disclosure Financial Statements – Internal controls over financial reporting include the actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by generally accepted accounting principles. The District does not have the internal resources to prepare the full-disclosure financial statements required by generally accepted accounting principles for external reporting. While this circumstance is not uncommon for most governmental entities, it is the responsibility of management and those charged with governance to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

Recommendation – We recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles in preparing full-disclosure financial statements for external reporting purposes is difficult. However, we recommend that District officials continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than rely on external assistance.

Response – We recognize our limitations, however, it is not fiscally responsible to add additional staff for this purpose.

Conclusion – Response acknowledged.

- (F) Financial Reporting/Bank Reconciliations – During the audit, we identified material amounts of cash, liabilities, revenues, expenditures, fixed assets and long-term debt amounts not properly recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

In addition, the District included several hundred thousand dollars of reconciling items on the June 30, 2015 bank reconciliation which were not reconciling items as of June 30, 2015. As a result, material adjustments were also made to the bank reconciliations as of June 30, 2015.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2015

Recommendation – The District should implement procedures to ensure all balances and transactions are identified and included in the District's financial statements. The District should also ensure that accurate bank reconciliations are performed on a monthly basis.

Response – We will double check these in the future to avoid missing any of these types of transactions.

Conclusion – Response acknowledged.

- (G) General Fixed Assets – The District does not have a detail listing of general fixed assets. As a result, the District is unable to physically compare the general fixed assets on hand with the listing of general fixed assets.

Recommendation – A general fixed asset listing should be maintained. The general fixed assets should then be periodically counted and reconciled to the general fixed asset listing by a person who does not have custody of the general fixed assets.

Response – We will implement these recommendations.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2015

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Expenditures for the year ended June 30, 2015 exceeded the certified budget amounts in the other expenditures function. It appears the District forgot to budget for an approximate \$3,000,000 building addition which primarily was constructed and paid for in fiscal year 2015.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response acknowledged.

- (2) Questionable Disbursement – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense - No expenditures of District money for travel expenses of spouses of Moravia Community School District (District) officials or employees were noted. No travel advances to District officials or employees were noted.
- (4) Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mike Beaty, Husband of Kim Beaty, employee	Mowing	\$ 320
Steve Smith, Board Member	Coaching	5,240
John Baty, Board Member Owner of Baty Electric	Repair/Maintenance	3,129

In accordance with Attorney General's opinion dated July 2, 1990, and an Attorney General's opinion dated November 9, 1976, the above transactions with Mr. Beaty do not appear to represent a conflict of interest.

In accordance with Chapter 279.7A of the Code of Iowa, the above transactions with Mr. Smith and Mr. Baty appear to represent conflicts of interest.

Recommendation – The District should contact legal counsel regarding the above related party transactions with the Board members to determine what, if any, corrective action is needed.

Response – We will discuss this with our School Attorney.

Conclusion – Response acknowledged.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2015

- (5) Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- (6) Board Minutes - No transactions were found that should have been approved in the Board minutes but were not.
- (7) Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- (8) Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- (9) Deposits and Investments - The District's cash in bank amount exceeded the depository resolution amount at times during the fiscal year ending June 30, 2015.

Other than the above, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

Recommendation - The City should implement procedures to ensure compliance with the Code of Iowa in relation to the City's depository resolution.

Response - We exceeded the depository resolution due to the bond money we received. We have implemented this recommendation during fiscal year 2015.

Conclusion - Response acknowledged.

- (10) Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- (11) Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds. However, in some cases the District did not record expenditures related to categorical funding until the end of the fiscal year. The Iowa Department of Education requires that all categorical funding be recorded to specific account codes. Since the District did not record categorical funding to specific account codes during the year, it appears that the District is not in compliance with the Iowa Department of Education requirements.

Recommendation - The District should contact the Iowa Department of Education regarding corrective action to be taken.

Response - We will implement this recommendation.

Conclusion - Response acknowledged.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2015

- (12) Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2015 audit:

Beginning balance		\$ 289,459
Revenues/transfers in:		
Sales tax revenues	\$ 333,088	
Issuance of revenue bonds	<u>1,200,000</u>	<u>1,533,088</u>
		1,822,547
Expenditures:		
Equipment	143,316	
School infrastructure construction	796,216	
Other	43,548	
Intrafund transfer out	<u>227,163</u>	<u>1,210,243</u>
Ending balance		<u>\$ 612,304</u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- (13) Financial Condition – As noted on the Statement of Net Position, the Governmental Activities had a deficit unrestricted net position of \$1,409,437 at June 30, 2015. The Enterprise, School Nutrition Fund had a deficit unrestricted net position of \$32,043 at June 30, 2015.

Recommendation – The District should continue to investigate alternatives to eliminate these deficits in order to return the funds to a sound financial condition.

Response – The District will try to decrease expenditures and increase revenues so the Governmental Activities and the Nutrition Fund in order to not show a deficit balance at year-end.

Conclusion – Response acknowledged.

- (14) Revenue Bonds – The District did not make the required monthly transfers from the revenue account to the sinking account as required by the bond resolutions.

Recommendation – The District should make the monthly transfers to the sinking account as required by the bond resolutions.

Response – We will begin making transfers to a sinking account.

Conclusion – Response acknowledged.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2015

- (15) Student Activity Fund – An instance was noted where the District gave a significant amount of cash to students. In this instance, the students were on a trip, which was paid for from the Special Revenue, Student Activity Fund. No documentation was ever provided to the District as to how the students spent this money. The Department of Education notes that “it is never appropriate for a school district to give cash to student members of activity groups.”

Recommendation – The District should follow the advice of the Department of Education and do not give cash to student members of activity groups.

Response – We will review this.

Conclusion – Response acknowledged.

- (16) Checks – The Board President does not sign some of the District checks, as required by Chapter 291.1 of the Code of Iowa

Recommendation – The Board President should sign all District checks, as required by the Code of Iowa.

Response – For one account, this was an oversight on our part. We will implement this recommendation.

Conclusion – Response acknowledged.

- (17) Real Estate Sale – The District sold a small parcel of real estate in the year. However, the District did not follow Chapter 297.22 of the Code of Iowa which requires that a notice of the time and place of the public hearing shall be published at least once not less than ten days but not more than twenty days prior to the date of the hearing in a newspaper of general circulation in the district.

Recommendation – On future real estate sales, the District should implement procedures to ensure compliance with Chapter 297.22 of the Code of Iowa.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.